

Reverse Knowledge Transfer: Examples of Three Business Centers in Slovakia

Sonia Ferencikova, Dagmar Grachová *

University of Economics in Bratislava, Faculty of Commerce, Department
of International Trade, Bratislava, Slovakia
email: * sona.ferencikova@euba.sk, dagmar.grachova@euba.sk

Abstract

For international organizations, business centers are a way to simplify particular tasks. While some of the centers work on many projects for the parent corporation, others are highly specialized in only one. A business center's establishment in the host nation signifies an infusion of direct foreign investment for that nation, bringing with it information, expertise, technology and, know-how. The aim of the article is to identify the reverse transfer of knowledge from business centers in the Slovakia to their parent company. In this article, we investigate three chosen business centers located in Slovakia – a country belonging to the region of Central and Eastern Europe. We use the approach of a case study based on various cases. Then, using the method of comparison, we evaluate and compare the similarities and differences of these centers. Our research has led us to the conclusion that a reverse knowledge transfer can be seen in the examples of business centers in Slovakia that we have chosen; however, this knowledge does not flow back to the parent company in two cases but instead is transferred to other centers of the given company in other countries. In one instance, we fail to notice this information transfer. This is due to the chosen center being a special kind of center for a certain multinational corporation. In one instance, we found a definite reverse transfer of knowledge in the areas of sustainability and resilience from the center to the parent firm.

Key Words

transfer of knowledge, case study, central Europe

JEL Classification: L80, L84, D80

Introduction

Many global multinational companies have included shared service centers and business centers in their corporate strategies. These centers can be characterized as organizational units that combine company resources – human capital, organizational structure, and information technology systems – to fulfill support tasks and provide services to internal customers (Gospel and Sako, 2010). Wang (2014) defines such a center as one that delivers one or more types of common services to diverse operational units more cost-effectively and efficiently. This is a type of sub-function centralization in which the tasks of several entities are merged or consolidated. Positive economies of scale, in particular, are envisaged as a result of a beneficial split (Schuppan, 2019). The competencies carried out by the centers increased along with the number of Shared service centers in the CEE area. Based on of the aforementioned, it is vital to distinguish between Business Centers and shared service centers. Business centers are centers that carry out more complicated and labor-intensive tasks (Rusiňák, 2023).

Having branches overseas offers the parent company several benefits, one of which is the knowledge transfer in reverse. The majority of the research has been on knowledge transfers from parent businesses to subsidiaries (Dunning, 2001; Rugman, 2006) rather than knowledge transfers from subsidiaries to parent companies. There is currently a scarcity of literature on reverse knowledge transmission (Kogut and de Mello, 2017). Authors Ferencikova and Hrdlickova, (2017) focused on the reverse transfer of knowledge to branches and subsidiaries in other countries.

Some of the world's challenges include social inequality, unethical business management, carbon emissions, deforestation, and climate change. As a result, more and more businesses have begun to recognize not only the bad impact of their actions on the planet, but also the following negative impact of these changes on themselves, and they are attempting to limit it as much as possible or find acceptable possibilities (KPMG, 2023). This tendency has an impact on the operations of all businesses that seek to remain competitive. This is not the case with multinational firms and their regional offices.

The article's major contribution is to define the presence of reverse knowledge transfer between corporate hubs in Central and Eastern Europe, as well as whether this knowledge transfer helps sustainability and resilience. Based on the aforementioned, we established the research question and specified the article's primary aim. The aim of the article is to identify the reverse transfer of knowledge from business centers in Slovakia to their parent company.

Research Question 1: Do the business centers in Slovakia produce new information or know-how then is shared with the parent company?

Research Question 2: Does reverse knowledge transfer increase resilience and sustainability?

1. Methods of Research

The article's processing involved the use of several scientific research techniques. In the first section of the essay, we identified and investigated the problems with shared service centers and reverse knowledge transfer, as well as characterized the literature gap, based on the collection, processing, and analysis of accessible sources of domestic and international literature. The case study approach is a crucial technique that serves as the foundation for processing the empirical portion of the article. Based on several cases, the case study methodology is used. Yin (2014) defines a case study as an empirical method that investigates a contemporary phenomenon in its actual context, especially when the boundaries between the phenomenon and the setting are not distinct and obvious. A case study as a research method includes several research approaches, each having a unique way of gathering and analyzing data. From the aforementioned, it can be concluded that the case study is more than just a method of data collection or a design element. It is an advanced research technique. We utilized the case study method with three examples to help to understand this content.

According to Kogut and de Mello (2017), most studies in which experts investigate reverse knowledge transfer use quantitative methods (particularly surveys); therefore, case studies and other more qualitative methods could be used in future research to better understand this complex and contemporary phenomenon. Sake of digesting this post, we used the case study technique using three examples. The case study method for

investigating reverse knowledge transfer was also implemented by Ferencikova and Hrdlickova (2017).

Based on interviews with the directors of the specified facilities, we gathered data for the processing of case studies. The business centers that were chosen for this project were chosen from among those that serve the Slovakian market and engage in similar primary activities as the centers in Slovakia. The major activity of the centers – always financial centers – was a key factor in the selection process. In the three instances provided, it was also able to include a larger variety of formation years. In addition, the centers' staff counts, locations within Slovakia, and parent business headquarters all varied to some extent. We applied semi-structured interviews which took place between November 2022 and April 2023. To protect the centers' personal information, the respondents requested that their names be withheld, and this was done. The interviews lasted around 90 minutes and were performed in three different ways: face-to-face or online. The interviews were conducted, and then a thorough transcription and analysis of the material obtained – preparation of protocols from the interviews– took place. The methods allowed for the processing of lone case studies.

After that, we added further data to the information gleaned from interviews to analyze complicated case studies on the specified centers that relate to the problem we are looking into. These firms' official websites or the official websites of the organizations in charge of creating an advantageous business climate in the subject nation are where we found the information. The comparison approach was then used to examine a few different features of the problem under consideration in business centers. In the discussion, we debate our assertions and use publications that have been published in the Scopus or Web of Science. We use the synthesis approach to summarize the key results at the conclusion of the article.

2. Results of the Research

A total of 65 Shared Service Centers or Business Centers are allocated in Slovakia on September 2022 (BSCF, 2022). To process this article, in the following text, we present case studies of three selected centers. Together with other centers in the country, they participate significantly in the creation of the GDP of Slovakia, are a significant contributor to the state budget, and are one of the most important employers. In the following text, we examine the reverse transfer of knowledge from these centers to their parent companies. We provide a summary of key details regarding the business centers under examination in Table 1.

Tab. 1: Basic information about selected business centers

	BC 1	BC 2	BC 3
Establishment	2007	2017	2013
Localization	Bratislava	Bratislava	Košice
Localization of parent firm	United States	Germany	Switzerland
Main Activity	Financial services	Financial services	Financial services
Number of Employees	800	330	300

Source: processed by the authors according to official websites of examined centers

From Table 1, it can be concluded that in all cases of the centers that are the subject of this article's investigation, the main object of their activity is financial services. Diversity can

be observed in the case of the years when the centers started their activities in Slovakia as well as in the countries where their parent companies are located. One of the centers has a different location on the Slovakian market and one of the examined centers has a higher number of employees compared to the other two.

Business Center 1 (BC 1)

The parent company views the functioning of the center in Bratislava as primarily serving a strategic purpose. The Bratislava center is special and plays a special function. It encompasses both local and international activities. Slovakia is seen by corporate headquarters as being of utmost importance. Within this firm, several activities performed in Bratislava are not performed anywhere else in the globe. Within the context of a multinational corporation, specific financial actions or activities in the area of information and communication technology are carried out in the indicated nation. Then, these actions are made available on a worldwide level (Anonymous informant #1, 2022).

The BC1 of the parent company in Bratislava serves as an example of the knowledge transfer in sustainability and the engagement of centers in diversity, equality, and inclusion. Representatives of the Bratislava business center regularly present not only their results in this area but also the specific steps, procedures, and know-how of the parent company and other branches around the world, even though in this particular case it is not one of the main key activities or tasks of the Bratislava business center (Anonymous informant #1, 2022). However, given that it is a foreign company's branch, there is a requirement for producing a reverse knowledge transfer. The representative of BC1, which we looked at, said that there was interest in turning the Bratislava location into a center of excellence. This focuses the management of the center's attention even more on certain tasks, as these tasks won't be performed elsewhere for the specific multinational corporation. The aforementioned information leads to the conclusion that, in our instance of the shared services center, even in its initial form, we did not record a sizable knowledge transfer to the parent company in the case of the center's core operations. In their opinion, the creation of a center of excellence will result in a higher degree of specialization of the given center and the reverse transfer of knowledge to the parent company will be even less than before (Anonymous informant #1, 2022).

Business Center 2 (BC 2)

The multinational corporation of BC 2 has constructed its business center in Bratislava to serve the Slovakia market since 2017. The parent company's decision to establish a center in Bratislava was motivated by the need to streamline operations so that they could be centralized there. The parent company views its business center as serving several purposes. Offering financial services is one of their main specialties, but they also deal with taxes, buying, controlling, automation, and robotization. The gradual emergence of a center of excellence for specific processes has been brought about by the growth of skills and the rising added value offered by people. In general, it can be stated that the goal of this business center is to simplify processes and become a business partner for other countries (Anonymous informant #2, 2023).

Processes in this area are constantly being improved and simplified since the BC2 business center in Slovakia is highly specialized in offering accounting services. They are now working very hard at the Bratislava facility to automate and robotize the accounting tasks they carry out. They were able to automate certain common accounting tasks in this

way. Their expertise was so cutting-edge that these procedures were then introduced and put into use in other centers, where those centers provide the same or equivalent services to other nations. The BC2 center in Bratislava first automated several operations, and these activities were later automated either globally or individually, for example, in the Shanghai business center, which offers financial services to Asia (Anonymous informant #2, 2023).

Although the BC2 business center in Bratislava has succeeded in creating procedures to make the activity more productive, research and development as a whole are not covered by this center. Chemical research and development centers are those that are situated outside of Slovakia. The aforementioned center of excellence, which is dedicated to dealing with processes, improving their efficiency, and automating them to the greatest extent feasible, is now being built in Slovakia (Anonymous informant #2, 2023).

Business Center 3 (BC 3)

The directors of the third investigated firm were inspired to establish a BC3 business center in the nation by the presence of manufacturing facilities on Slovakia's market and the original proposal to establish a modest regional center there. In the instance of BC3, since its founding in 2013, a dramatic increase in activity may be seen between 2016 and 2019. The center stabilized after this year. Conclusion: From the parent company's perspective, this center is a tool for accomplishing financial objectives by lowering costs for global partner firms. They take over processes in their activities that they can take over within their competencies and do them centrally with lower costs. The services provided by BC3 are so specialized that BC3 in Košice has become a center of excellence. BC3 is currently a center of excellence for robotics and automation of financial processes (Anonymous informant #3, 2023).

There is a worldwide team of roughly 50 professionals in the Košice Center. It is not a squad made up entirely of citizens from Slovakia, though. There are workers there from Colombia, India, and other nations. The team's overall objective is to automate financial procedures. The group works along with other centers of multinational corporations abroad while operating inside the Košice Center of excellence (Anonymous informant #3, 2023). As part of this, the SPA continues process initiative was created, the essence of which is process improvement. In Slovakia, they also have the so-called master black – an expert in improving processes in the field of finance. It is devoted to streamlining the creation of reports, accounting of invoices, visualization of data, and consolidation of activities. They also have a team that travels to the parent company. They present their findings there and train workers regarding processes and methodology. Through the methodology, they create skills in these workers to carry out new processes. In the Košice center, they don't undertake traditional research and development. They are primarily interested in information and communication technology, which helps the efficiency of the center's operations (Anonymous informant #3, 2023).

3. Discussion

There are certain parallels and variations between the aforementioned business centers that operate in the market of Slovakia, both in terms of their fundamental characteristics, which are enumerated in Table 1, and in the situation of reverse knowledge transfer.

Table 2 provides a summary of the fundamental characteristics relating to the reverse transfer of knowledge from the institutes we looked at.

Tab. 2 Summary of the characteristics relating to the reverse transfer of knowledge from the selected business centers

Business Center	Reverse knowledge transfer
BC1	<ul style="list-style-type: none"> - Diversity, equality, inclusion ; - This is not the main activity of the center ; - Results and know-how are presented to the parent company and branches around the world;
BC2	<ul style="list-style-type: none"> - Automation of accounting processes; - Main activity of the center; - Results and know-how are implemented globally or in selected branches that perform services for other regions;
BC3	<ul style="list-style-type: none"> - Automation of financial processes; - The main activity of the center; - Results and know-how are presented in the parent company, the Slovak team trains employees in the parent company regarding the methodology they implement.

Source: processed by authors

In all three cases, a reverse transfer of knowledge can be observed from the business center that the given multinational corporation has in Slovakia. However, it is not possible to unequivocally confirm the reverse transfer of knowledge as defined by the authors Kogut and de Mello (2017). Authors define reverse knowledge transfer as the opposite flow (flow from the subsidiary to the parent company). In the context of transnational corporations, subsidiaries have emerged as vital creators of knowledge and competencies. To remain competitive in a global business environment, transnational corporations must effectively collect and implement the knowledge of their geographically dispersed network of subsidiaries (Sinai and Heo, 2022). The subsidiaries have different roles in the corporations: some are supposed to commercialize products and services, others conduct research and development, and some manufacture products. The subsidiaries can either utilize the existing corporate knowledge and potentially adapt it if needed or generate new knowledge and create new skills (Mudambi et al., 2013). Based on our research, in the case of business centers, knowledge transfer can be observed not only to the parent company but also to branches that the multinational corporation has in other countries.

Special consideration should be given to BC1 in this aspect. Based on the case study that has been provided, it can be said that even in a tiny European nation, there is a center that engages in activities that promote sustainability and resilience. In this instance, not only does the researched center give it extra attention, but it also shares its knowledge with other centers within the firm and the parent company. The concentration of the centers on initiatives in the realms of sustainability and resilience cannot be seen in the other two situations. However, by simplifying and automating some tasks that are then moved to the parent business or sister firms, they help to lower the need for labor inside the companies, which in turn reduces emissions from office space, foreign national transportation, and other sources.

The steady creation of centers of excellence from traditional shared service or business centers makes a significant contribution to the possibilities of knowledge transfer to other divisions. In all three of the aforementioned situations, business centers develop into centers of excellence that use trained personnel to generate higher added value and make every effort to automate conventional, straightforward tasks as much as they can. They have a rare chance to develop expertise or simplify procedures at the centers of excellence in a way that will be appealing to multinational corporations or other centers within the business. However, it is important to note in this context that the three business centers that we looked at may have been unique instances on the market, and the results drawn from our analysis might not apply to other centers in Slovakia. This is the limitation of our research. There may be additional centers where there is no reverse transfer of information, or knowledge is transferred in areas other than financial centers that we did not uncover in the cases we looked at. The analysis of other businesses that operate in Slovakia and the determination of the reverse knowledge transfer between them and their parent company can be included in the future expansion of our research, which can then be compared to earlier findings.

Conclusion

In addition to the often-discussed advantages of increasing efficiency and ensuring higher competitiveness of multinational corporations, business centers also represent an advantage for their parent company that results from the possible reverse knowledge transfer. Based on the examination of the available literature, we identified a literature gap in the reverse transfer of knowledge from business centers to parent companies. Using three examples of business centers operating in Slovakia, we investigated whether such a transfer exists and what its specifics are.

It may be inferred from the three unique instances of business centers functioning in Slovakia that there is no common model for the transfer of knowledge backward between business centers and their parent company. The ability to transmit knowledge backward relies on the particular center and the overall organizational structure of the business (multinational corporations, branches, centers, etc.). In the situations we looked at, we saw a reverse knowledge transfer happening between the center and other centers the firm has abroad as well as between the center and the parent company. In the two instances of the observed centers, the information transmission is connected to the primary function of the specified centers – financial services. One of the analyzed situations even allowed for the definition of knowledge transfer in the areas of sustainability, resilience, diversity, equality, and inclusion. In this context, it is necessary to draw attention to the fact that all three of the business centers that were the focus of our investigation grew out of modest shared services hubs to become centers of excellence that employ highly skilled workers and generate higher added value, which also helps Slovakia's economy expand.

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